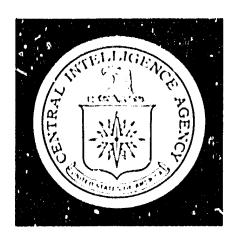
CIA OCI CIB 0256/71 CENTRAL INTELLIGENCE BULLETIN SEC., NFD 26 OCT.71 01 of 01

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No. 0256/71 26 October 1971

Central Intelligence Bulletin

CONTENTS

INDIA-PAKISTAN: Tension may have degreesed slightly. (Fage 1)
INDIA: The Aid-India Consortium is not likely to ease India's burden significantly. (Page 3)
INDIA: Assessment of foodgrain output. (Page 4)
UN-DRUGS: Results of the Commission on Narcotic Drugs meeting. (Page 5)

25X6

INDIA-PAKISTAN: Tension may have decreased slightly despite continued incidents along the India - East Pakistan border.

Mrs. Gandhi's brief speech to her countrymen on Saturday, prior to her departure on a 20-day visit to Western Europe and the US, was essentially a call to the nation to remain vigilant and an explanation of why she had decided to proceed with her trip despite the crisis on the subcontinent. She did not castigate Pakistan's leaders nor make any dramatic announcement, such as a widely anticipated declaration of a state of emergency. The over-all impact of the speech tended to reduce tension.

There has been no significant change along the Indo-Pakistani borders. The West Pakistan border has been relatively quiet while the tempo of activity along the East Pakistan - Indian border appears to be increasing. The Indians are continuing to accuse the Pakistanis of shelling several small Indian towns along the eastern border of East Pakistan. Radio Karachi, in turn, has denounced the Indians for allegedly firing some 2,200 shells into East Pakistan border villages yesterday.

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26 Oct 71

Central Intelligence Bulletin

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The well-publicized Indian call-up on 23 October of all army reserves and selected navy and air force reservists does not significantly change the military situation on the subcontinent. Whereas on paper India has some 700,000 army reserves, only some 44,000 are sufficiently trained and equipped to be considered near ready for military action. It appears likely that the call-up was essentially another move in a well-orchestrated war of nerves.

Press reports yesterday indicated that Pakistani President Yahya Khan has asked UN Secretary
General Thant to pay an immediate visit to the subcontinent and has suggested the use of UN observers
to oversee mutual troop withdrawals in the border
areas. India, with Soviet support, has opposed any
UN activity that could be viewed as placing the
responsibility for the crisis equally on the shoulders of New Delhi and Islamabad. Hence, New Delhi
will probably oppose the reported Pakistani proposals. Thant last week offered his good offices
to mediate the dispute, and the Pakistanis appear
receptive to his offer. Initial Soviet and Indian
responses seem generally negative. (CONFIDENTIAL)

INDIA: The 13-nation Aid-India Consortium, meeting today to consider refugee relief, is not likely to ease significantly the burden on India.

Discussions by the members, who already have pledged \$200 million, will center on the IBRD report, which estimates that care for the 9.3 million refugees now in India will cost about \$770 million through 31 March 1972. Most consortium members, already heavily committed to economic development in India, apparently intend to continue their refugee aid to New Delhi but probably not on the scale that the Indians require. Moreover, some members may conclude that any sharp increase in relief aid should be at least partially offset by reductions in economic aid. In any event India will probably have to continue bearing a large part of the refugee costs itself.

India has already authorized refugee expenditures totaling \$345 million, but costs are rising with the continuing influx of about 30,000 persons The finance minister recently announced that the country might have to raise this year's allotment for the refugees to \$665 million. India probably will not divert substantial funds from its already extremely modest development programs to provide for additional refugee relief. Nevertheless, because there are no plans to raise new revenues substantially, the inflationary impact of increased spending on refugees will cut sharply into the country's economic development. (CONFIDENTIAL)

INDIA: Monsoon floods along the Ganges and drought in the southcentral region may prevent foodgrain output through mid-1972 from keeping up with population growth.

Although harvesting of the fall crop is just beginning, the Agricultural Price Commission foresees an increase of only two percent in total foodgrain output for the year ending June 1972. Last year's growth of eight percent permitted India to improve food consumption levels and to provide food to Pakistan refugees.

Beneficial rainfall on rice planted at higher elevations has more than offset flood damage to rice in the low-lying areas. The fall coarse grain harvest will be smaller than last year because of drought in producing areas. The entire fall grain harvest, which normally accounts for 60 percent of annual output, is expected to increase by only one million tons.

There are conflicting reports concerning moisture conditions for sowing winter wheat. The US agriculture attaché reports conditions are excellent, but press reports indicate subsoil moisture is deficient. If winter rains are good, winter crops could bring total foodgrain output to about 110 million tons compared with 107.8 million tons last year. (CONFIDENTIAL)

UN-DRUGS: Some US objectives were achieved at the recently concluded 24-day meeting of the UN Commission on Narcotic Drugs (CND).

A primary concern at this session was to obtain greater support for amending the 1961 Single Convention on Narcotic Drugs to enhance the powers of the International Narcotics Control Board (INCB). A clear majority of the delegates were sympathetic in principle, and the amendments proposed by the US and other countries will be considered formally at a diplomatic conference in March 1972. The general concepts of the US proposals appeared to fare well except one to empower the INCB to clamp a mandatory embargo on trading in drugs with states unwilling or unable to curb illicit trafficking in narcotics.

The most significant action at this CND session may have been the virtually unanimous decision (the USSR abstaining) to create a special ad hoc committee on illicit traffic in the Middle East. Turkey, Iran, and Pakistan have agreed to participate, along with another UN member state yet to be designated, and Afghanistan has also been invited to join the group. This mechanism for regional cooperation under UN auspices could set a useful precedent for other problem areas, notably Southeast Asia.

The CND meeting did not, however, result in broad support for the UN Fund for Drug Abuse Control, which was established in March to enlarge the several control programs of the international community. So far the US has given \$2 million to the fund, but other contributions total a mere \$21 thousand. The UN Secretariat will have to spell out more precisely its plans for projects before it obtains other substantial donations. (CONFIDENTIAL NO FOREIGN DISSEM)